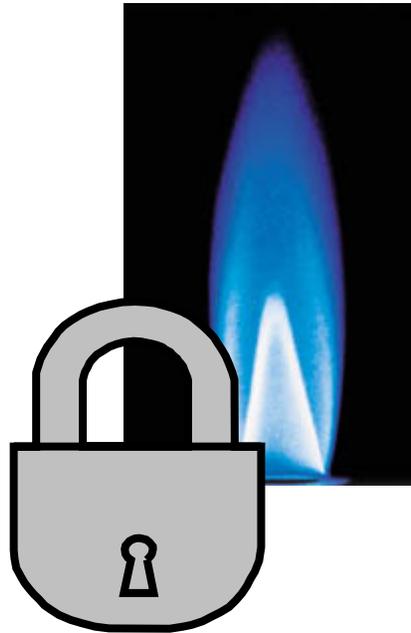


The Natural Gas Crisis

Our clean, safe, and abundant domestic energy source



Isn't it about time we unlock our vast domestic supply?

From the Office of Rep. **John E. Peterson** (R-PA)

The Natural Gas Crisis

An Alarming Situation

- **Natural Gas prices have hit an all-time high**
 - The price for natural gas in the U.S. as of 9/23 was \$14.50. 10 years ago it was \$3.21.
 - The worst part is that we are the only nation in the world to pay that high of a price.
 - Competing countries pay a fraction of our price for their natural gas: **China - \$4.85, Iran - \$1.25, Russia - \$0.95**
- **Natural Gas keeps us warm, cools us down, and make thousands of essential products**
 - Natural gas costs are expected to rise as much as 71% in the coming months, a price many households, schools, and hospitals simply won't be able to pay.
 - Over 25% of our electricity is made with natural gas. As such, electricity costs will rise sharply as well.
 - Fixed and low-moderate income households will be hardest hit. Many will be unable to pay their electric bills.
 - As much as 70% of fertilizer is natural gas. Farmers can't absorb these costs forever. Food prices will rise.
 - Small businesses are being forced to cut back on natural gas, and those using large amounts are closing up shop.

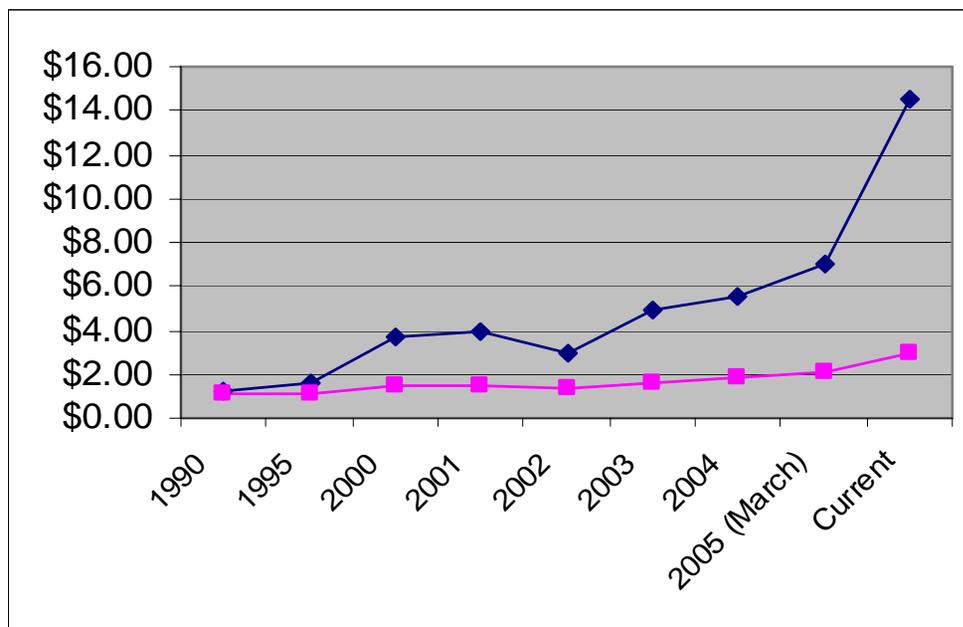
The Clear Solution: Open the Outer Continental Shelf (OCS) for Natural Gas

- Despite the fact that modern technology allows us to access our supply with no measurable harm to the environment, Congressional and Presidential moratoria have put 85% our OCS off-limits to exploration – severely limiting supply.
- Our OCS contains vast amounts of natural gas. The federal government estimates that there are **406 trillion cubic feet** along the OCS. Current production in the lower 48 amounts to 9.5 trillion cubic feet per year. That comes out to over a **50-year supply**.
- Many proposed solutions to our energy crisis take a long time to develop. Even if approved, the Alaska Pipeline will take a decade to build. A major power plant will also take no fewer than 10 years to site and build. And who knows how long it will take to set up a new refinery?
- Alternative energy sources – such as wind, solar, and other renewables – along with conservation must be supported and encouraged. But none can replace our dependence on natural gas in the near future.
- Natural gas in the OCS can be available in a short period of time. In fact, even a small expansion in federal leasing along the Gulf Coast could yield tremendous short term results.

Energy Price Increases over the past 15 years (in USD)

Wellhead Natural Gas (BLUE) vs. Retail Gasoline (PINK)

Source: Energy Information Administration



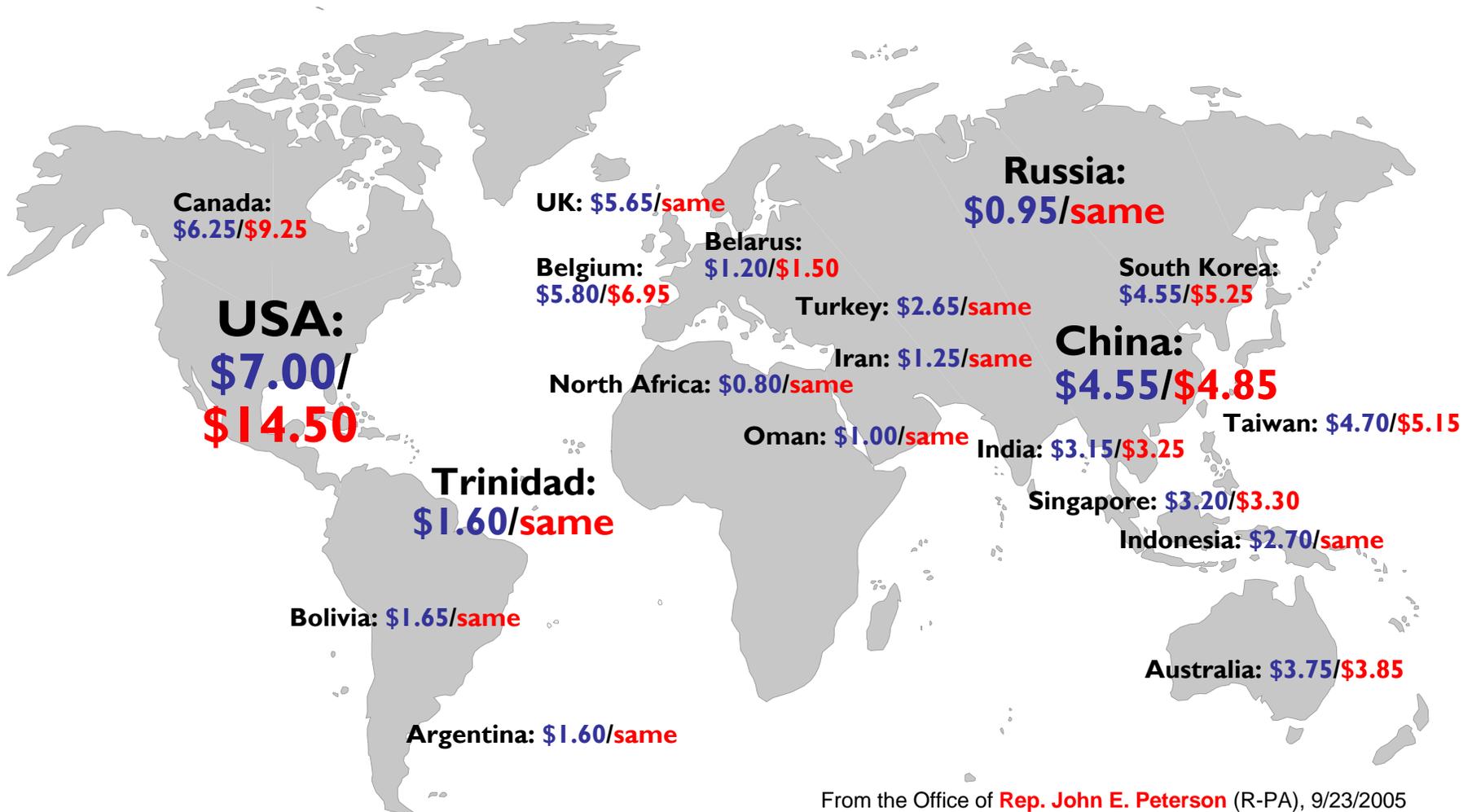
Percentage increase in *gasoline*: 154%

Percentage increase in *natural gas*: **1,139%**

Six-month increase in natural gas prices around the world

(\$US per million BTUs)

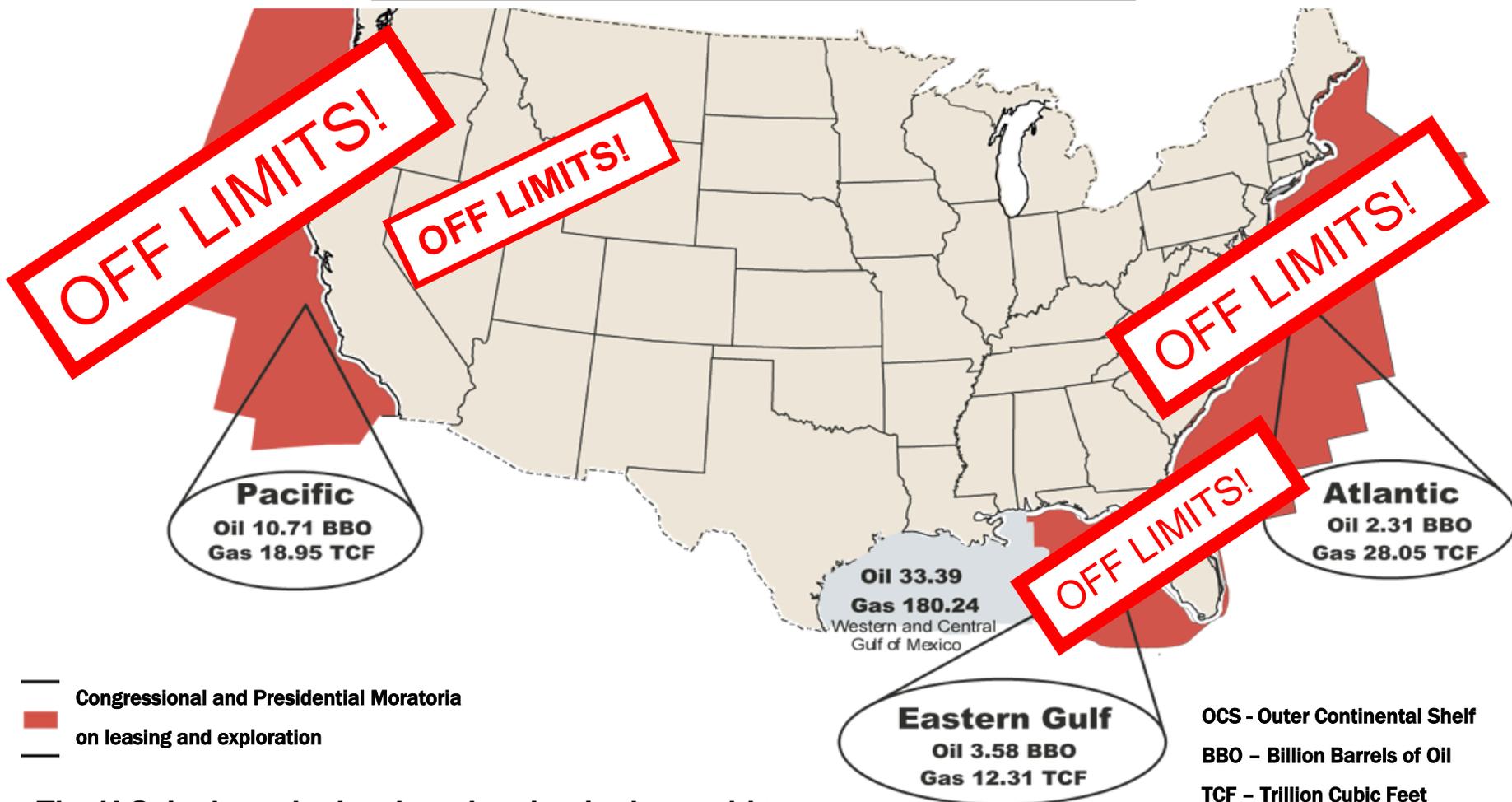
March/September, 2005



Congress has placed over 85% of our Outer Continental Shelf Off Limits

These figures represent 1970s estimates achieved with the technology available at the time.

MMS now believes that almost 406 TCF of natural gas are available along the OCS



The U.S. is the only developed nation in the world to cut-off access to its offshore energy reserves.

From the Office of **Rep. John E. Peterson** (R-PA)
9/23/2005

IMPACT of High Natural Gas Prices

On HOME OWNERS, RENTERS, SCHOOLS, HOSPITALS, AND MUNICIPALITIES...

- The federal government estimates that heating costs will go up 71% this winter for folks in the Midwest and 31% in the Northeast.
- Since 25 % of our electricity is now produced by natural gas, we could expect above average increases in our own electric bills

On FERTILIZER PRODUCERS...

- Natural Gas accounts for 70 to 80% of the cost of fertilizers, which will drive the cost of agriculture products up while destroying our fertilizer industry.
- 21 plants in the United States have closed since 2000 because of the high cost of natural gas.

On FARMERS...

- Farmers use natural gas for irrigation, crop drying, food processing, crop protection and nitrogen fertilizer production.
- But unlike most industries, farmers can't pass along high energy costs to consumers – the price they're paid is largely fixed.

On CHEMICAL PRODUCERS...

- Over 100,000 jobs have been lost over the past five years because of high natural gas costs.
- Of the 120 chemical factories under production worldwide, 119 are being built outside the U.S.

On SMALL BUSINESSES...

- The more consumers have to pay on heating and cooling costs, the less they can spend on goods and services provided by this nation's 32 million small businesses.
- And small businesses using natural gas to dry, melt, mold, or heat products are in even bigger trouble.

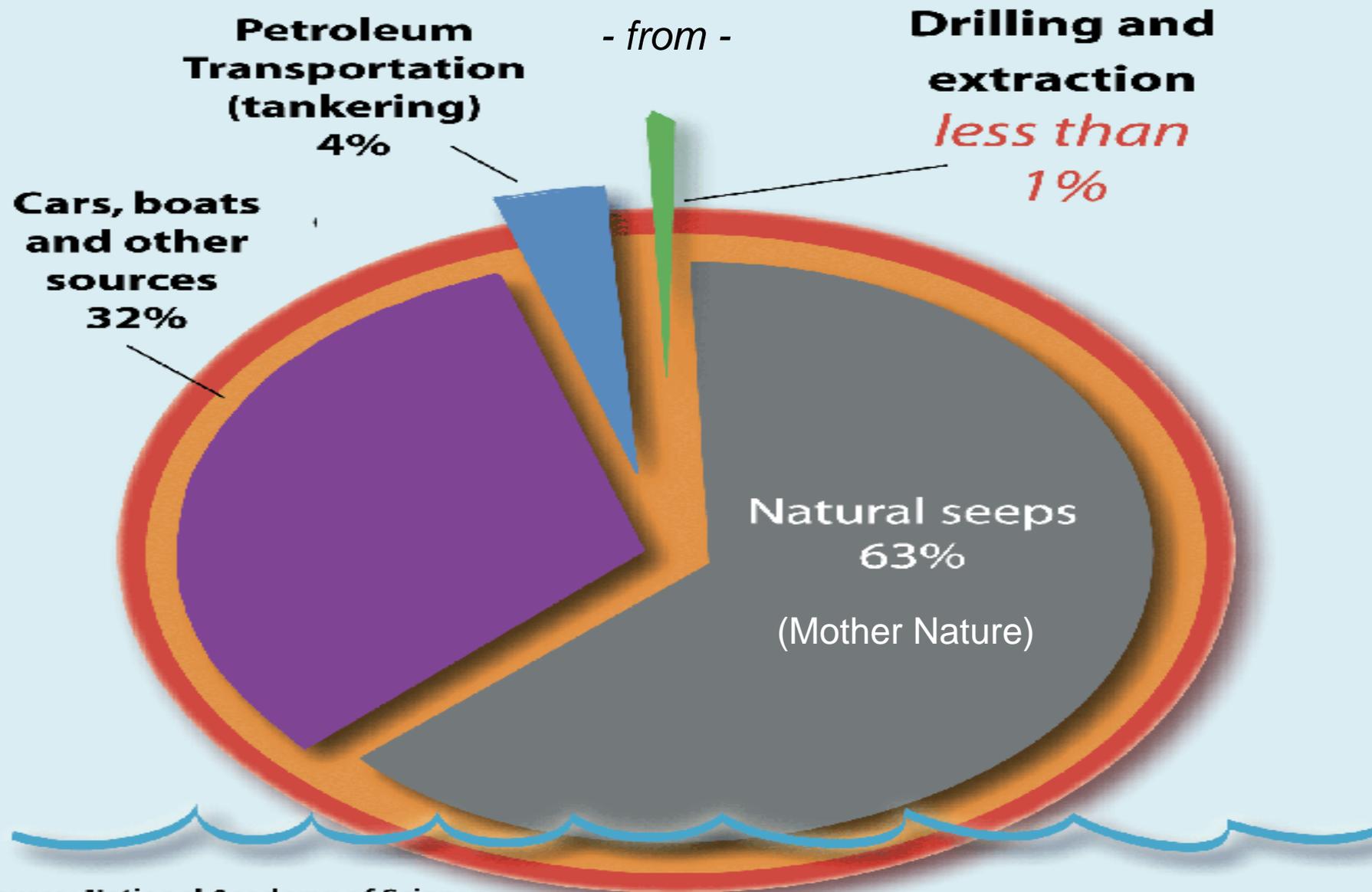
On MANUFACTURERS...

- American manufacturing was hit hard by a steep climb in natural gas prices since 2000, losing jobs for 43 consecutive months – totaling 2.8 million net jobs lost.

On HOMELAND/NATIONAL SECURITY...

- The government estimates that by 2020, 50% of our energy will be produced in politically unstable, unfriendly countries.
- Reliance on these countries for the energy needed to run our country would not be a wise geopolitical/security decision.

Petroleum Seepage in American Waters



Source: National Academy of Science

From the Office of Rep. John E. Peterson (R-PA), 9/23/2005

***IMPORTED* LIQUEFIED NATURAL GAS (LNG)**

A Band-Aid Over a Bullet Hole?



- Imported LNG currently accounts for an estimated **3%** of our natural gas supply. EIA projects that figure will go up dramatically – to **23%** by 2025.
- However, local and state resistance to building controversial LNG ports makes EIA's projections suspect at best.
- But even if LNG could substitute for our locked up domestic supply, **would we want it to?**
- Since LNG is **imported**, most of the money that springs from it goes back to the nations that harvest it
- Many of the countries that produce it are unstable and unfriendly like **Algeria, Iran, and Libya.**
- Why depend on imported LNG and once again become dependant on foreign sources of energy when we have more than enough at home?
- Haven't we learned anything from our dependency on imported oil?

From the Office of **Rep. John E. Peterson** (R-PA), 9/23/2005